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Annual report of the Executive Director on the activities of the United Nations Office for Project Services*

SUMMARY

The present report is submitted pursuant to Executive Board decision 94/32 of 10 October 1994. The report provides an overview of performance in 2001 against financial targets in the UNOPS business plan, reviews UNOPS activities during the year and addresses issues involving services and new client-centred business processes. Information is also provided on the current status of the organizational reform process initiated in 1995 and measures taken to reduce budget estimates for 2002.

Contents

Paragraph

I. Introduction ..... 1 - 3

II. Background ..... 4 - 8
III. Financial performance 9
A. Overview of the UNOPS portfolio ..... 9 - 10
B. Business acquisition and client diversification ..... 11 - 18
C. Delivery ..... 19 - 22
D. Income ..... 23 - 27
E. Expenditures ..... 28 - 29
F. Actions to address the income shortfall ..... 30 - 34
G. Operational reserve ..... 35 - 36

* The collection and review of data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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IV. Operational and other highlights 37
A. New ways of working with existing clients ..... 37 - 40
B. Noteworthy undertakings ..... 41 - 44
C. Evolution of services ..... 45 - 53
D. Other advancements ..... 54 - 58

V. Reform ..... 59 - 61

VII. Participation in the United Nations Development Group 62

VIII. Executive Board action 63

Abbreviations

ADB	African Development Bank
CICP	Centre for International Crime Prevention of the Office for Drug Control and Crime Prevention
DHRM	Division for Human Resources Management
IFAD	International Fund for Agricultural Development
IFI	international financial institution
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
ITU	International Telecommunication Union
LEDA	local economic development agency
MCC	Management Coordination Committee
MSA	management services agreement
NGO	non-governmental organization
OHCHR	Office of the United Nations High Commissioner for Human Rights
OIOS	Office of Internal Oversight Services
OIP	Office of the Iraq Programme of the United Nations Secretariat
OSG	Office of the Secretary-General of the United Nations
UN	United Nations
UNDG	United Nations Development Group
UNODCCP	United Nations Office for Drug Control and Crime Prevention
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNIFEM	United Nations Development Fund for Women
UNICEF	United Nations Children's Fund
UNITAR	United Nations Institute for Training and Research
UNMIK	United Nations Interim Administration Mission in Kosovo
UNOPS	United Nations Office for Project Services

I. Introduction

1. The present report is submitted in compliance with Executive Board decision 94/32 of 10 October 1994, in which the Executive Director of UNOPS was asked to report annually on the activities of UNOPS.

2. Pursuant to Executive Board decision 95/1 of 10 January 1995, the present report is submitted through the Management Coordination Committee.

3. At the first regular session 2002, the Executive Director presented an oral report on the serious financial situation that UNOPS faces in 2002. The Board requested an additional report on the situation at its annual session 2002. The present report will be updated and supplemented with the most current information through a revised budget estimate and an oral report by the Executive Director at the annual session.

II. Background

4. In 2001, UNOPS faced a number of challenges, some of which originated a year earlier. In 2000, for the first time in its history, UNOPS did not cover all of its recurrent costs through income earned from its services and therefore did not achieve its goal that year of being an entirely self-financing organization, partly because of unexpected postponements in the implementation of firm project commitments.

5. In early 2001, the Secretary-General requested the Office of Internal Oversight Services of the United Nations Secretariat to undertake a review of UNOPS and its relationship with its clients. The Secretary-General drew on the OIOS findings and recommendations in preparing his note to the Executive Board on the governance of UNOPS (DP/2002/CRP.5). That note, submitted to the Executive Board at its first regular session 2002, reinforced OIOS recommendations for a separate, self-financing UNOPS.

6. Uncertainty about the status of UNOPS was one factor contributing to a decrease in productivity, delivery and eventually income for 2001. The report, UNDP-UNOPS relationships conference room paper submitted jointly by UNDP and UNOPS (DP/2002/CRP.4), prepared later in the year helped address some of the issues raised in document DP/2000/13 (the Vinde Report) on the relationship between UNDP and UNOPS. Other reasons for the shortfall in UNOPS income are set forth in paragraphs 23 to 25 of this report.

7. At the start of 2002, therefore, UNOPS recognized that drastic measures were needed to face the significant challenge of adhering to the organization's self-financing principle. The Executive Director and senior managers mounted a detailed review of portfolio delivery and income projections. The results indicated that UNOPS would need to undertake a major budget reduction exercise, with the oversight and support of the MCC, to achieve an administrative budget that would be balanced against income expected for 2002. The progress achieved to date is contained in paragraphs 31 to 34. Significant reductions have been achieved, but they are not sufficient to balance the budget. The Executive Director, UNOPS, is concerned that further significant reductions, which would have to come from personnel components of the budget, would seriously jeopardize the ability of UNOPS to meet its delivery targets and service commitments to clients in 2002.

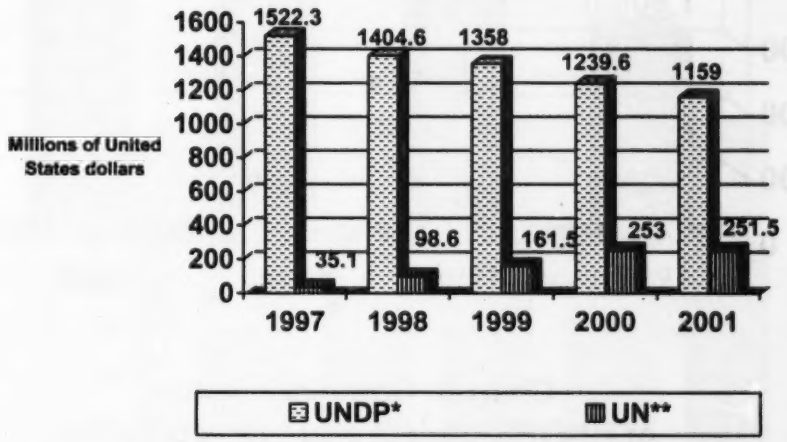
8. UNOPS, therefore, expects a drawdown of the operational reserve for 2002. The details are provided in paragraphs 28 to 29 of this report. A separate report (DP/2002/ CRP.10) being presented to the Executive Board on revised budget estimates for 2002 and 2003 indicates that UNOPS expects to be on more solid financial footing by 2003.

III. Financial performance

A. Overview of the UNOPS portfolio

9. The UNOPS portfolio comprises two categories of business. The first, commonly referred to as the project portfolio, consists of projects managed by UNOPS with funding from or through United Nations organizations. Under this category of business, UNOPS receives funds and directly incurs project expenditures. The value of this portfolio amounted to $1.4 billion as of the end of 2001. Chart 1 shows the amounts of UNDP and other United Nations projects in the UNOPS portfolio from 1997 through 2001. These amounts represent the value of the entire portfolio of new and ongoing projects.

Chart 1: UNOPS project portfolio for the United Nations and UNDP
(Total value of active projects)



* Includes UNDP core, non-core and MSAs. ** Includes the United Nations and United Nations organizations

10. The other category of business is referred to as the loan portfolio. In this category, a borrowing Government receives a loan from an international financial institution to fund a project. The IFI then obtains UNOPS services to supervise the implementation of the project and to ensure that the borrowing Government meets project objectives. UNOPS, which at present provides this service almost exclusively to the International Fund for Agricultural Development, plays several roles. First, UNOPS regularly visits a project to assess its progress. UNOPS informs IFAD when a borrowing Government is or is not implementing the project in line with targets and benchmarks contained in the loan agreement. When UNOPS is satisfied that implementation goals are being met, IFAD disburses loans directly to the borrowing Government. The value of loans supervised for IFAD totalled $2.34 billion in 2001. As a result of UNOPS loan portfolio services, IFAD disbursed $195.5 million for projects in 2001. The role of UNOPS, however, goes beyond ensuring compliance with the terms of loan agreements. UNOPS provides substantive and technical support for the

implementation of projects as well. UNOPS assists borrowing Governments to resolve project implementation problems, trains government staff and personnel in the loan administration units in various aspects of project management and builds local capacities for carrying out projects. UNOPS takes care of every task through and including authorization of loan disbursements. Chart 2 shows the growth in the UNOPS loan portfolio since 1997. Chart 3 shows the combined value of UNOPS loan and project portfolios over the past five years.

Chart 2: Loan portfolio
(project supervision and loan administration)

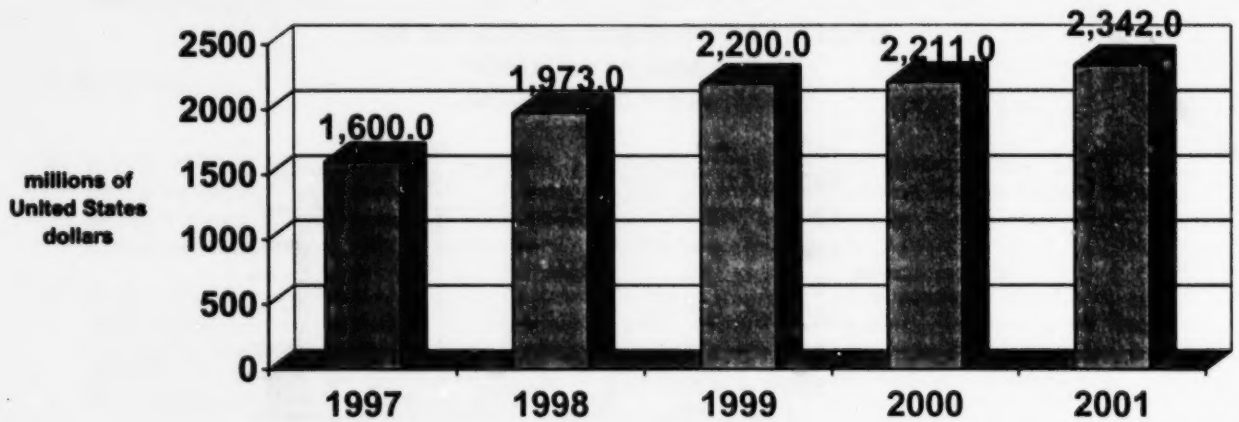
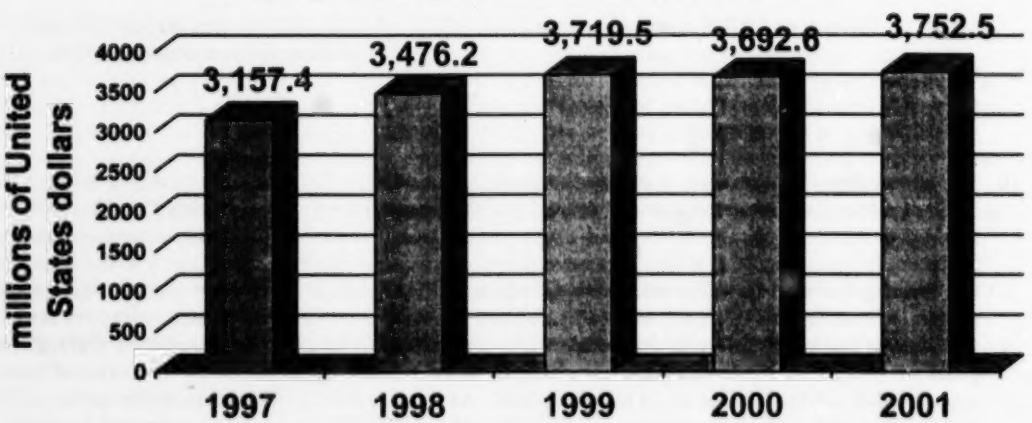


Chart 3: Combined value of UNOPS project and loan portfolios

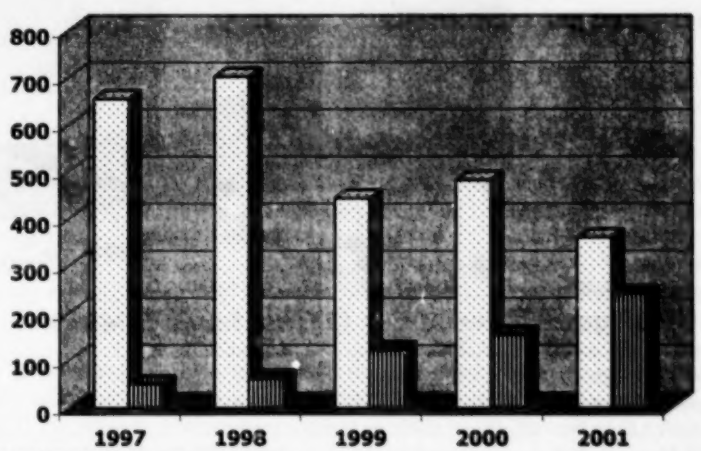


B. Business acquisition and client diversification

11. Pursuant to recommendations made by the Advisory Committee on Administrative and Budgetary Questions and, under the guidance of the Executive Board, UNOPS has worked to acquire business from new clients and to diversify the types of services it provides to both new and traditional clients. The evolving demands of these diverse clients and the scope of activities that UNOPS performs for them continue to be primary business motivators.

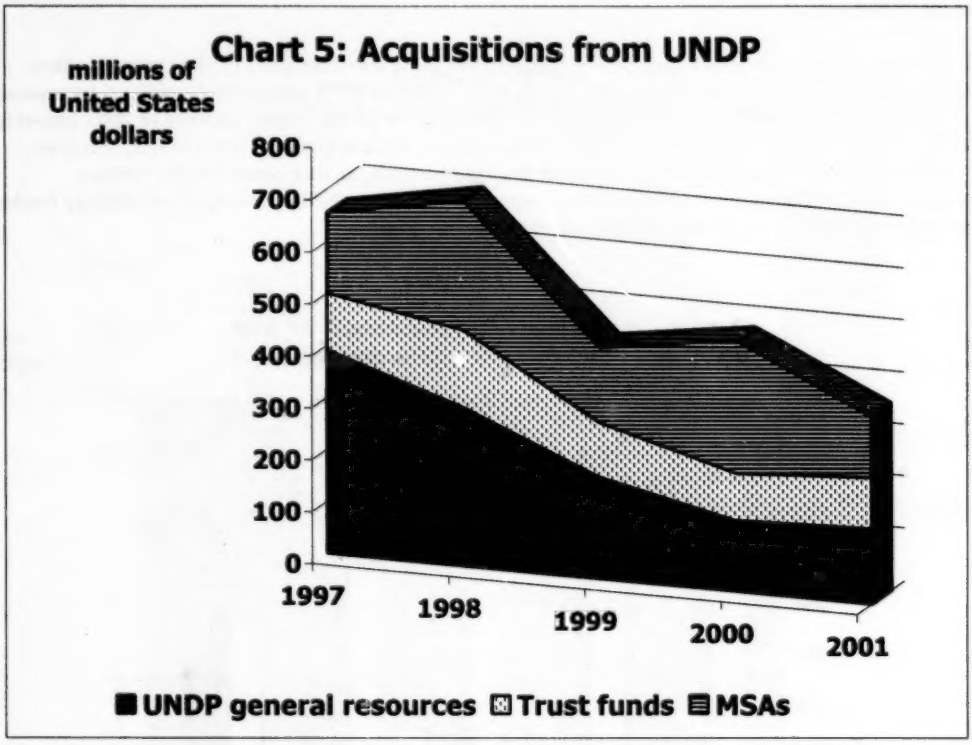
12. In 2001, the share of projects funded by UNDP compared to those by other parts of the United Nations continued to change. The value of new projects funded by UNDP in 2001 totalled $361 million (compared to $483 million in 2000), while the value of projects from other parts of the United Nations in 2001 amounted to $242 million (compared to $155 million in 2000). The majority of new business for UNOPS, therefore, continues to be funded through UNDP. The area of growth, however, is with other United Nations organizations. Chart 4 shows how the share of new projects funded by UNDP compared to projects funded by other parts of the United Nations has shifted over the past five years.

Chart 4. Comparison of projects acquired from UNDP and other United Nations organizations



13. UNOPS acquired $603 million in new business in its project portfolio in 2001, compared to $638 million in 2000. Projects funded by or through UNDP accounted for $361 million of the 2001 total. UNDP continued to be the largest single United Nations client in the project portfolio. Funds are received from UNDP in three ways: through its own general resources, through the trust funds it manages for other organizations and Governments, and through management services agreements, which are contractual arrangements established by UNDP to allow a Government, bilateral or multilateral donor or an international financial institution to acquire UNOPS project-management services. The project funder signs the MSA with UNDP, which in turn directs UNOPS to provide the requested services.

14. UNDP general resources accounted for $145 million of acquisitions in 2001 compared to $136 million the previous year. In 2001, UNDP trust funds accounted for $98 million (compared to $91 million in 2000) and MSAs $118 million (compared to $256 million in 2000). Through an arrangement equivalent to an MSA, UNOPS also acquired $12.3 million in new projects from IFAD in 2001. Chart 5 shows how the composition of UNDP-funded projects has changed since 1997.



15. For example, UNOPS, through an MSA with UNDP, is implementing, for the first time, a major project funded by the African Development Bank. The ADB $9.8 million loan to the Government of Sierra Leone will help to rehabilitate hospitals and health clinics and provide much needed modern equipment.

16. In 2001, UNOPS also acquired $179 million in new business from the United Nations Secretariat: $150 million in project implementation business from the Office of the Iraq Programme, $8 million from the Department of Peacekeeping Operations and $21 million from the United Nations Interim Administration Mission in Kosovo. Acquisitions from other parts of the United Nations in 2001 included a record $24 million from the Office of the United Nations High Commissioner for Human Rights. Table 1 shows the growth and changing composition of new projects funded by other parts of the United Nations.

Table 1: Projects acquired from United Nations clients other than UNDP, 1997-2001 (in millions of dollars)

	1997	1998	1999	2000	2001
UN (DPKO, OIP, UNMIK/OSG)	3.4	14.4	39.0	82.3	178.9
IFAD**	0.3	1.8	14.0	20.8	12.3
UNFPA	0.3	0.0	1.8	0.1	1.3
UNEP	0.0	0.0	0.0	18.1	2.0
UNHCR	0.0	0.2	1.7	0.5	1.2
OHCHR	0.0	12.2	15.8	4.9	24.2
UNIFEM	0.0	0.0	0.0	1.2	0.0
UNODCCP	37.1	11.1	36.3	6.8	0.7
Other United Nations organizations*	8.6	22.2	13.5	20.6	21.9
TOTAL	49.7	61.9	122.0	155.3	242.5

*Includes United Nations projects funded through reimbursable service agreements.
**Projects implemented by UNOPS for IFAD (not loan supervision services)

17. UNOPS also acquired $328 million in new projects in the loan portfolio (compared to $310 million in 2000).

18. The high volume of acquisitions reflects a continued robust demand for UNOPS services from traditional and new clients.

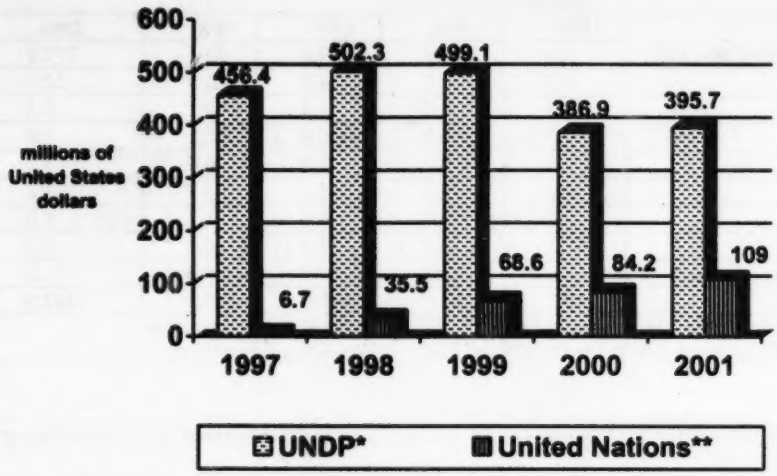
C. Delivery

19. Project delivery totalled $504.7 million in 2001, compared with the UNOPS business plan target of $616 million. The shortfall stems from unexpected changes in the UNOPS business environment, described in the following paragraphs.

20. One cause was a delay or postponement of a number of large MSAs. Most of the delays involved projects for Argentina, Ecuador, Peru and Turkey.

21. Actual requests for UNOPS services by a few United Nations entities also turned out to be smaller than what was foreseen in the terms of the initial agreements. UNOPS, for example, had won a competitive bidding exercise to provide $20 million in procurement support in Kosovo. By the end of the year, however, UNOPS had been asked to procure only about $6 million in goods and services—a difference of $14 million. Work could not proceed as planned for operations in Iraq, where UNOPS is responsible for mine action work in the northern part of the country, because of delays in the processing of visas by the Government for more than 100 experts. The delays further decreased delivery and therefore income for the year. Chart 6 shows project delivery for UNDP and other United Nations clients from 1997 through 2001.

Chart 6: Project delivery for UNDP and the United Nations



* Includes UNDP core, non-core and MSAs. ** Includes United Nations and United Nations organizations

22. In 2001, UNOPS undertook loan and project supervision missions for 112 IFAD projects, leading to the lending agency's disbursement of $195.5 million to borrowing Governments. Fewer missions were undertaken than had been planned, however, because 14 IFAD projects were delayed primarily as a result of the failure of borrowing governments to meet loan conditions. The delays led to a reduction in income from loan supervision.

D. Income

23. For 2001, project delivery totalled $504.7 million, generating $37.9 million in project income. Delivery of loan administration and other services for the year produced additional income of $7 million. This combined total of $44.9 million, along with other miscellaneous income of $2.3 million, resulted in a total of $47.2 million in income for the year. The $47.2 million figure was $9.6 million—or 17 per cent—less than the $56.8 million in projected income (based on a projected $616 million in delivery), as indicated in the approved budget. Administrative expenditures totalled $52.8 million, which is $2.5 million—or 5 per cent—less than the approved amount of $55.3 million. In 2001, UNOPS expenditures exceeded income, which led to a $5.6 million drawdown from the UNOPS operational reserve.

24. Total project income at $37.9 million was $9.5 million—or 20 per cent—lower than the targeted amount. Of this shortfall, $8.5 million resulted from the lower-than-budgeted project delivery while a further $1 million resulted from an overall income rate lower than had been estimated in the UNOPS business plan.

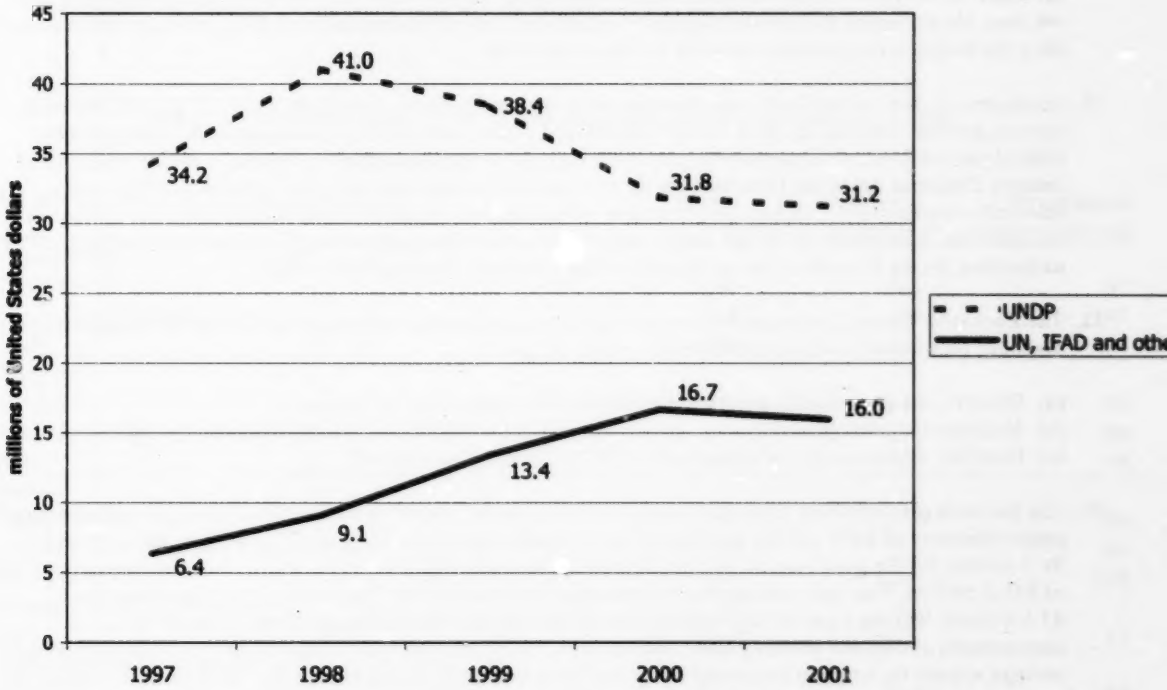
25. Income from loan supervision services was lower than what was planned, primarily the result of unanticipated delays in some IFAD loans because borrowers had failed to meet all loan conditions. Interest and other income at $1.6 million were just above the approved budget target of $1.4 million. In addition, there were savings of $700,000 through negotiated reductions and cancellations on obligations from prior

periods which, under United Nations accounting standards, is treated as income rather than as a reduction in expenditures.

26. Savings realized through lower-than-projected administrative expenditures in 2001 were offset by a $1 million reduction in income stemming from delivery that was $111 million below the 2001 target. It also stemmed from an average income rate of 7.5 per cent, which was more than 2.5 per cent lower than the projected rate of 7.7 per cent.

27. Chart 7 shows the trends in income from UNDP and other United Nations clients from 1997 through 2001.

Chart 7: Comparison of income from UNDP and other United Nations clients (including IFAD)



E. Expenditures

28. Administrative expenditures in 2001 amounted to $52.8 million, i.e., $2.5 million—or 5 per cent—lower than the approved amount of $55.3 million. Of the $52.8 million total, $34.5 million were for staff costs and $11.3 million for equipment, communications, travel and operating expenses. In addition (as in previous years), expenditures included $7 million in reimbursements to UNDP and the United Nations for a wide range of central and operational support services at the country level. Lower expenditures were partially

offset by a higher-than-budgeted cost ($0.7 million) of reimbursement for United Nations support services covering earlier periods.

29. Starting in August 2001, UNOPS took a number of cost-cutting measures to reduce administrative expenditures for the year. These included the discontinuation of active recruitment of staff, cutbacks on information technology investments and the deferral of various activities and expenses. As 2002 began, UNOPS continued to take steps aimed at further reducing expenditures.

F. Actions to address the income shortfall

30. The Executive Director informed the MCC and, subsequently, the Executive Board at its first regular session in January 2002, about the shortfall in UNOPS delivery and income for 2001. The Executive Director made his report to the Board at the earliest possible opportunity but had only preliminary results available to him at the time. He presented the detailed figures in an effort to ensure transparent and open communication and to alert the Board to the potential shortfall as soon as possible.

31. In response to the two difficult years (evidenced in the results for the biennium 2000-2001), UNOPS took steps to prevent setbacks in 2002. UNOPS developed a new, more detailed planning methodology for the critical year of 2002. As a part of this process, a task force was established in February 2002 to collect and analyse divisional administrative budgets for the year; define and evaluate priorities for activities and resources requested by divisions and catalogue, prioritize and recommend measures to increase income or reduce costs. The report of the task force was used as a basis for a comprehensive planning exercise for 2002 undertaken by the Executive Group chaired by the Executive Director of UNOPS.

32. The Executive Group developed and applied criteria in the business-driven review of operations and support divisions that would result in concentrating resources to:

(a) Directly and immediately contribute to delivery and generation of income;
(b) Maintain the minimum corporate support necessary for control and quality assurance purposes;
(c) Establish a framework for a sustainable UNOPS in 2003 and beyond.

33. The business plan resulting from the Executive Group report, issued to staff and the MCC, identified a total project delivery of $500 million generating an estimated income for 2002 of $35.4 million plus a further $8.3 million for the provision of loan portfolio and other services. This gives a total forecast income for 2002 of $44.2 million. The total administrative expenditure forecast by the Executive Group amounted to 47.1 million, leaving a gap of $2.9 million, which will be addressed through further reductions in administrative costs and possibly additional income. The estimated total administrative expenditure includes savings against the original divisional budget submissions of $6.9 million, divided between $2.9 million from non-personnel reductions and $4.0 million from personnel-related costs. The $47.1 million administrative expenditure total does not include costs associated with staff termination. As per the UNOPS financial regulations and rules, these will be funded from the UNOPS operational reserve.

34. The Executive Group report was presented to the MCC and formed the basis for an informal briefing held on 26 April for members of the Executive Board. The Executive Director has established an Implementation Group that will continue the work of the Executive Group. It will also identify ways to close the budget gap for 2002 and to take into account the concerns and advice of the MCC and the Executive Board.

G. Operational reserve

35. The opening balance of the operational reserve in 2001 amounted to $10.6 million. It had been projected that by year-end, the level would reach $12 million. During 2001, no charges were made to the reserve, but at the end of the financial year, expenditures exceeded income by $5.6 million, which would have to be charged against the reserve, leaving an actual balance on the operational reserve of $5 million once the books are closed.

36. In its decision 2001/14, the Executive Board approved the proposal to change the basis for the calculation of the level of the UNOPS operational reserve to 4 per cent of the rolling average of the combined administrative and project expenditures for the three previous years. On the basis outlined in this decision the balance of the operational reserve on 31 December 2001 should have been $23.1 million, a shortfall of $18.1 million. Table 2 provides a summary of targets and actual results for acquisitions, delivery, income and expenditures in 2001.

Table 2. Overview of financial targets, projections and achievements in 2001

Variables in the UNOPS financial model	Target (millions of dollars)	Achieved	Percentage of target achieved
Acquisitions			
New projects	660	603	91
New loan supervision	230	328	143
Total	890	931	104
Delivery			
Projects	616	505	82
Loan supervision (disbursements authorized)	217	195	90
Total	833	700	84
Income			
Project implementation	47.4	37.9	80
Loan administration and other services	8.0	7.0	87
Interest and other	1.4	1.6	128
Savings from prior biennium	-	0.7	-
Total	56.8	47.2	83
Administrative expenditures			
Costs	55.3	52.8	97
Contribution/(Charge) to operational reserve	1.5	(5.6)	
Self-financing rate (expressed as a per cent)	103	89	

IV. Operational and other highlights

A. New ways of working with existing clients

37. UNOPS was retained by the United Nations Environment Programme to help evaluate the environmental impact of major projects before launching. In one project, for example, UNOPS aided the evaluation of combined heat and power plants in Poland, for which UNEP and UNOPS negotiated an agreement, including a performance-based fee arrangement. Through this arrangement, the UNOPS fee is subject to increases or decreases based on how efficiently experts are identified and placed. The UNEP-UNOPS performance-based agreement constitutes a significant new area of cooperation that clearly demonstrates UNOPS commitment to client service. UNEP satisfaction with this arrangement is reflected in the fact that the organization has called on UNOPS a second time to work with it using performance-based fees.

38. The United Nations Population Fund is currently undertaking an organizational transition to improve day-to-day functions. This 18-month reorganization is expected to be completed by the end of 2002. To minimize internal disruptions to its regular operations, UNFPA approached UNOPS in 2001 to provide operational and administrative support during this period. Approximately two dozen management consultants and experts in other fields were recruited on behalf of UNFPA, which expressed its satisfaction with the speed with which the assignment was carried out. The arrangement is similar to the one with UNEP mentioned above in that fees will depend on the speed with which UNOPS implements the project as well as on quality of service.

39. UNOPS continued to establish "execution partnerships" in the projects it implements for its clients. This involves, in essence, the division of project responsibilities and labour along lines of expertise between UNOPS and its United Nations partners. Where UNOPS can add value to a programme, it will undertake specific activities, while the partner can focus on its substantive mandate. The end result is a clear division of labour resulting in cost-effectiveness and a shared sense of ownership.

40. The management of financial risks through a range of contracting tools, insurance arrangements and training continues to be part of the UNOPS services offerings. A new certification training programme has been introduced to test staff skills in areas relevant to their work, including procurement, financial management and personnel administration. The range of potential risks that UNOPS manages for clients has been expanded to cover financial risks relating to both project inputs and outputs. For example, an intellectual property audit of projects is used to assess, for UNOPS clients, possible risks associated with third-party rights in works for hire, including software, multi-media presentations and reports. Special conditions relating to license, assignment, indemnities and royalties can then be developed to meet long-term client needs. Any risks that cannot be avoided continue to be handled through dispute-resolution techniques applied by the Legal and Procurement Support Division.

B. Noteworthy undertakings

41. In late 2001, UNOPS resumed operations in Afghanistan after a short suspension resulting from the events of 11 September 2001. UNOPS has a decade-long tradition of programme execution in Afghanistan on behalf of UNDP and the United Nations International Drug Control Programme. Work to bring clean water, irrigation systems, vocational training and health and education services to rural communities around the country is ongoing as the country continues to rebuild.

42. On behalf of UNDP and the Government of Japan, UNOPS is helping the population of Kosovo by meeting the target of supplying urgently needed housing for 800 families. Carried out under the auspices of UNMIK, the project resulted in 20 local contractors carrying out the work, creating thousands of jobs for Kosovars. In

addition, UNOPS provided services to UNMIK for the rehabilitation of a brick factory, two municipal waste-management systems and the rehabilitation of city parks in Pristina. Also in 2001, working with the Mine Action Co-ordination Committee, UNOPS completed the removal of 25000 land mines, 8500 cluster bombs and 14000 other unexploded devices. Rapid deployment and strategic partnerships with up to eight commercial companies and eight NGOs helped UNOPS to clear the land. By December 2001, the goal of clearing all areas known to be contaminated with mines and cluster bombs, which had impeded social and economic development, had been reached. This is the first time that such an objective has been achieved, making it possible for the United Nations to phase out its mine-action assistance in record time.

43. The Office of the Iraq Programme decided in 2001 to fund an urban water and sanitation project, which falls under the UNICEF mandate. UNICEF and OIP requested UNOPS services to carry out this project. Requiring the management of about $150 million in funds, the initiative will improve water and sanitation in the urban areas of Duhok, Sulaimaniya and Erbil in northern Iraq. The overall goal of the programme is to improve health by increasing access to potable water, reducing pollution and rehabilitating sanitation systems. Meanwhile, the UNOPS-implemented Mine Action Programme in Iraq also evolved with several locally developed and produced flails, in addition to four new mine- and unexploded ordnance-detection dog teams and victim assistance initiatives, including outreach/first-aid posts, surgical centres and two rehabilitation/vocational training centres.

44. On behalf of the United Nations Transitional Administration in East Timor, UNOPS awarded construction contracts worth $1.4 million to 28 local companies, which helped to create more than 3000 jobs for local residents. On behalf of UNDP and the Government of Portugal, UNOPS is managing three key projects in electricity, water and sanitation, as well as six emergency infrastructure projects in Dili and surrounding areas, funded by the Government of Japan. UNOPS managed the importation of some 2000 head of buffalo and cattle under the Agricultural Rehabilitation Project.

C. Evolution of services

45. In 2001, UNOPS provided a number of innovative or noteworthy services to some new and many existing clients. The Centre for International Crime Prevention, part of the Office for Drug Control and Crime Prevention, asked UNOPS to become an important implementation partner on corruption and human-trafficking prevention projects in Colombia, Czech Republic, Lebanon, Nigeria, the Philippines, Poland and South Africa. As a new partner, UNOPS also provided support to CICP on a juvenile justice programme it implemented.

46. The Intergovernmental Authority on Development, a subregional organization with a membership of seven African countries, selected UNOPS through a broad competitive bid to provide project services for the initiative Enhancing Disaster Preparedness and Response Capacity in the IGAD Subregion. Under this arrangement, UNOPS and the United Nations Institute for Training and Research, working through the International Strategy for Disaster Reduction of the United Nations Office for the Coordination of Humanitarian Affairs, will supply expertise on a range of project inputs, including procurement and the hiring of consultants.

47. Also in partnership with UNITAR, UNOPS won a public bid in 2001 to develop a programme to make geographic information—including satellite data—accessible at reduced cost to United Nations organizations and other agencies involved in humanitarian assistance, crisis response and post-disaster recovery. Agencies using this entirely new service benefit from accurate, up-to-date information, making project planning and execution more efficient.

48. In 2001, the International Telecommunication Union approached UNOPS to support the NGO Fondation du devenir in its efforts to ensure full civil society participation in the World Summit on the Information Society, to be held in Geneva from 10 to 12 December 2002 and in Tunis in 2005. On behalf of ITU, UNOPS is providing civil society partners with all the required adminstrative and managerial support to make their participation successful. The ITU/UNOPS partnership marks the first time these organizations have worked together.

49. UNOPS has been successfully working with the International Labour Organization to introduce local economic development agencies in about 20 countries. In 2001, ILO has for the first time entrusted UNOPS with the implementation of an entire LEDA project. With a $10 million budget, UNOPS management expertise is being used for the project entitled The Promotion of Economic Recovery, Employment, Creation and Support to Decentralization in Somalia.

50. During 2001, seven new agreements were signed with the Office of the United Nations High Commissioner for Refugees. Services to be provided by UNOPS will range from administrative support in the recruitment of personnel to advising on a strategy for dealing with protracted refugee situations in Zambia. UNHCR expressed its satisfaction with the speed and quality of service from UNOPS.

51. Throughout 2001, UNOPS worked closely with UNDP in support of national execution in Guatemala on two major projects. The Government of Guatemala, with funding from the Government of the Netherlands, asked UNOPS to oversee its rural development programme. This effort, targeting the poorest of the poor in eastern portions of the country, focused on providing technical cooperation to communities and improving the lives of indigenous people. In another new undertaking, UNOPS sent missions to supervise and advise Guatemala's environmental protection programme, which is funded by the Global Environment Facility. The programme works to educate communities about the fragile biodiversity of rainforest areas and protect nine eastern regions identified as environmentally sensitive.

52. The multisectoral approach of UNOPS allows it to enter into non-commercial partnerships with entities that add value and effectiveness to project delivery while strengthening the support of stakeholders. United Nations substantive bodies may choose to hire UNOPS to broker partnerships or to implement projects under existing UNOPS or United Nations partnerships. In 2001, UNOPS partnered with PricewaterhouseCoopers, a leading private-sector professional services firm, on projects in Swaziland and Tajikistan. Employees with specialized expertise carried out assignments that benefited these countries at no cost to United Nations projects managed by UNOPS. In Swaziland, three PricewaterhouseCoopers staff worked for two months to set up systems and procedures to account for grants from donors to be distributed to local groups in a national programme against HIV/AIDS.

53. UNOPS also facilitated cooperation between ILO and local authorities in Evenkya Autonomous Region in eastern Siberia, which is receiving support from YUKOS, one of the largest oil companies in the Russian Federation. The goal is to lay the groundwork for an integrated development programme involving the creation of LEDAs.

D. Other advancements

54. As an employer, UNOPS recognizes the need for continuous training of staff as a means of maintaining continued success in ongoing projects and delivering higher levels of satisfaction to new and potential clients. In this regard, the organization has recently implemented certificate-based project management training in order to improve employee tools and skills. The Division for Human Resources Management developed and organized a third financial certification authority training course with inputs from the Division for Finance, Budget and Administration and the Division for Legal and Procurement Support. The course

contents are based on two principal aspects of the delegation of authority given by the Executive Director to UNOPS certifying officers: the authority to allow project activities to be executed by confirming that they are part of project objectives and that funds are available in the appropriate budget component; and the authority to commit UNOPS to liabilities with external bodies after following appropriate procurement processes and according to UNOPS financial regulations and rules. The course provides selected portfolio managers and project implementation assistants with the knowledge and competencies necessary to perform certifying functions in order to ensure full accountability, be more effective in managing UNOPS-executed projects and promote a degree of consistency among project managers and divisions.

55. In addition, UNOPS is working to ensure that members of its staff remain abreast of current management and business techniques through a newly developed programme called STEP—the Staff Exchange Programme. Established in 2001 as a two-year pilot, up to six UNOPS staff members will be chosen in the future for temporary assignments with companies and organizations outside the United Nations system and as many as three experts from the private sector will join UNOPS. The exchange will help to facilitate a transfer of knowledge so that UNOPS employees will have the most up-to-date tools to service clients above and beyond their expectations. The arrangement involves no cost to UNOPS. STEP was conceptualized through consultations with the UNOPS Business Advisory Council, a group of 22 corporate executives who lend their knowledge and experience in fields such as management, communications, information technology, human resources and organizational structure.

56. As a global organization, UNOPS has continuously sought ways to provide learning resources to its staff located in several countries worldwide. Recognizing the cost advantages and far-reaching benefits of technology-based learning, the Division for Human Resources Management launched an online training programme in 2001. The programme offers training in a number of professional development and information technologies, with the aim of enhancing staff's knowledge and skills. The programme has been successfully implemented and the number of users has been steadily increasing since its launching.

57. As a part of UNOPS efforts to remain on the cutting edge of technology, the Division for Information and Technology Services completed an overhaul of the UNOPS funds control system. The new web-based application enables UNOPS portfolio managers around the world to input and download information 24 hours a day, seven days a week and to provide clients with accurate, up-to-date financial reports. The speed and reliability of the system have also improved, with almost no down time during the first six months of use. Data on expenditures are refreshed daily, with processing time reduced to only a few minutes. The improvements mean our clients receive their reports sooner. In addition, the system can now track multiple donors at the budget-line level, allowing reports to be tailored to each of the project's funders.

58. During 2001, the UNOPS website was improved further. It is completely database driven, making searching and archiving information faster and easier for internal and external users. The site also allows UNOPS staff worldwide to post invitations to bid, expressions of interest, requests for proposals, contract awards and vacancy announcements conveniently from their own computer. Now all external vacancies offered by UNOPS and major bidding opportunities are listed on the web, allowing UNOPS to cast a wider net in recruiting staff and to expand the pool of potential suppliers of goods and services. This system is the result of a new "web engine" developed by the Division for External Communications and Relations with the United Nations. This same web engine is also used for adding information to a new extranet also developed by UNOPS. The extranet allows staff anywhere to gain access to corporate information, corporate graphic guidelines and templates and more than 60 electronic forms developed collaboratively with the Division for Human Resources Management. Work is already under way to allow selective access by non-UNOPS staff to certain non-proprietary information (such as telephone directories and Executive Board documentation) on the system.

V. Organizational reform

59. Through a reform project, UNOPS sought to begin its transformation efforts, with the goal of creating a more agile, responsive and client-oriented structure and culture. Following the guidelines established at a senior management retreat in November 2000, UNOPS launched a highly participatory planning process that involved over 90 staff, two "lock-in" meetings and four working groups that focused on knowledge management, organizational structure, human resources and communication. This process resulted in a clear vision for organizational change.

60. An "engineering" phase initiated in June 2001 resulted in a blueprint, which was finalized in early 2002. Highlights of the blueprint include:

- A transformation of the current structure (with several divisions in charge of regional and sectoral project-management operations and other divisions in charge of support services) into a management system focused on managing client accounts and fully integrating support and operational functions;
- Decentralized teams of operational and support services to bring UNOPS project management staff closer to project decision-makers and/or beneficiaries and reduce central administrative costs;
- Streamlined structure, especially in New York;
- Implementation of an enhanced client satisfaction measurement system;
- Improved financial reporting capabilities;
- Implementation of improved performance measurement tools;
- Enhanced knowledge management capacities.

61. The reform, which was an extension of reforms already under way since 1995 to help the organization remain competitive, was expected to have a positive impact on delivery and income while reducing costs. But at the request of the MCC, UNOPS placed the reform on hold.

VII. Participation in the United Nations Development Group

62. UNOPS is a member of United Nations Development Group and participates in its discussions related to programming, project implementation and the development of the United Nations Development Assistance Framework, the country cooperation framework and the new country programme outlines. In nearly every country where more than one United Nations organization is working, UNDG also has country teams consisting of local representatives of UNDG member organizations. UNOPS has not yet been integrated into or recognized as a full member of all country team discussions, even though the United Nations Secretary-General and the Executive Board have recommended it. As stated in document DP/2002/CRP.4, "As with other organizations for which UNDP provides such representation, UNOPS will be considered a member of the United Nations Country Team and invited to participate in joint exercises of the United Nations organizations in that country."

VIII. Executive Board action

63. The Executive Board may wish to take note of the report of the Executive Director of the United Nations Office for Project Services (DP/2002/19).